

# Inspector General

## United States

## Department *of* Defense



American Recovery and Reinvestment Act  
Projects-Family Housing Renovations at Fort Myer  
Military Community

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## **Acronyms and Abbreviations**

FAR	Federal Acquisition Regulation
FBO	Federal Business Opportunities
FMMC	Fort Myer Military Community
FPDS	Federal Procurement Data System
FSRM	Facilities Sustainment, Restoration, and Modernization
IMCOM	U.S. Army Installation Management Command
OACSIM	Office of the Assistant Chief of Staff for Installation Management
OMB	Office of Management and Budget
UFC	Unified Facilities Criteria
USACE	U.S. Army Corps of Engineers



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400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

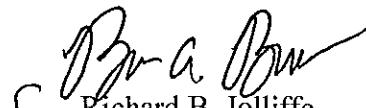
November 29, 2010

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE  
(COMPTROLLER)/CHIEF FINANCIAL OFFICER  
AUDITOR GENERAL DEPARTMENT OF THE ARMY

SUBJECT: American Recovery and Reinvestment Act Projects—Family Housing  
Renovations at Fort Myer Military Community  
(Report No. D-2011-RAM-005)

We are providing this report for your information and use. We performed this audit in response to the requirements of Public Law 111-5, "American Recovery and Reinvestment Act of 2009," February 17, 2009. DOD Directive 7650.3 requires that recommendations be resolved promptly. We considered management comments on a draft of this report from the U.S. Army Materiel Command, the U.S. Army Contracting Command, and the U.S. Army Installation Management Command when preparing the final report. No additional comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9201 (DSN 664-9201).

  
for Richard B. Jolliffe  
Assistant Inspector General  
Acquisition and Contract Management





# Results in Brief: American Recovery and Reinvestment Act Projects—Family Housing Renovations at Fort Myer Military Community

## What We Did

Our overall objective was to determine whether DOD appropriately planned and implemented Recovery Act projects and whether the efforts of the Military Services and Defense agencies complied with Recovery Act requirements, Office of Management and Budget guidance, the Federal Acquisition Regulation, and DOD implementing guidance. Specifically, we reviewed the planning, funding, contracting, and initial execution of two family housing projects at Fort Myer Military Community (FMMC) to renovate Noncommissioned Officers Quarters, valued at \$1.33 million.

## What We Found

FMMC personnel generally justified, planned, funded, contracted for, and executed the two Family Housing Facilities Sustainment, Restoration, and Modernization (FSRM) projects reviewed in accordance with Office of Management and Budget guidance, except for the following instances.

- U.S. Army Installation Management Command (IMCOM) personnel at FMMC did not comply with DOD guidance to prepare, review, or certify cost estimates on two FSRM projects. The personnel prepared the cost estimates using RS Means estimating software and then inflated the estimate approximately 20 to 30 percent without supporting documents for unforeseen site conditions. This occurred because FMMC personnel believed cost estimating software results were too low. As a result, cost estimates were inflated and may have prevented other worthy projects from receiving requested funding.
- Army Contracting Command personnel at FMMC did not use the correct Recovery Act line of accounting in one contract and did not include required Recovery Act contract

clauses in one delivery order because of an oversight. However, the Army Contracting Command corrected the errors by modifying the contract and delivery order to change the line of accounting and add the required contract clauses.

## What We Recommend

- We recommend that the Commander, IMCOM, direct FMMC personnel to prepare, review, and certify cost estimates in accordance with the DOD Unified Facilities Criteria.
- We recommend that the Commander, U.S. Army Contracting Command, develop procedures to ensure Recovery Act funds and clauses are applied to Recovery Act contracts and delivery orders.

### FMMC Family Housing Restoration Project



Source: IMCOM

## Management Comments and Our Response

The Executive Deputy to the Commanding General, U.S. Army Materiel Command; the Executive Director, U.S. Army Contracting Command; and the Commander, IMCOM, agreed with the recommendations, and no additional comments are required.

## Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
U. S. Army Installation Management Command		1
U.S. Army Contracting Command		2

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# Introduction

## Objective

The primary objective of the audit was to determine whether DOD and its Components were planning and implementing the American Recovery and Reinvestment Act of 2009 (Recovery Act) by meeting the requirements in the Recovery Act, Office of Management and Budget (OMB) Memorandum M-09-10, “Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” February 18, 2009, and subsequent related guidance. For this audit, we reviewed the planning, funding, contracting, and initial execution of two family housing renovation projects at Fort Myer Military Community (FMMC), valued at \$1.33 million, to ensure that the efforts of the Military Services and Defense agencies complied with Recovery Act requirements, OMB guidance, the Federal Acquisition Regulation (FAR), and DOD implementing guidance. See Appendix A for a discussion of our scope and methodology.

## Recovery Act Background

The President signed the Recovery Act into law on February 17, 2009. It is an unprecedented effort to jump-start the economy and create or save jobs.

The purposes of this Act include the following:

- (1) To preserve and create jobs and promote economic recovery.
- (2) To assist those most impacted by the recession.
- (3) To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- (4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
- (5) To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases

... the heads of Federal departments and agencies shall manage and expend the funds made available in this Act so as to achieve the purposes specified . . . including commencing expenditures and activities as quickly as possible consistent with prudent management.

## Recovery Act Requirements

The Recovery Act and implementing OMB guidance require projects to be monitored and reviewed. We have grouped these requirements into the following four phases:

(1) planning, (2) funding, (3) execution, and (4) tracking and reporting. The Recovery Act requires that projects be properly planned to ensure the appropriate use of funds. Review of the funding phase is to ensure the funds were distributed in a prompt, fair, and reasonable manner. Reviews of the project execution phase is to ensure that contracts awarded with Recovery Act funds were transparent, competed, and contain specific FAR clauses; that Recovery Act funds were used for authorized purposes; and that instances of fraud, waste, error, and abuse were mitigated. Review of the execution phase also ensures that program goals were achieved, including specific program outcomes and

improved results on broader economic indicators; that projects funded avoided unnecessary delays and cost overruns; and that contractors or recipients of funds reported results. Review of the tracking and reporting phase ensures that the recipients' use of funds was transparent to the public and that benefits of the funds were clearly, accurately, and timely reported.

## **Recovery Act Contract Requirements**

The Recovery Act establishes transparency and accountability requirements. Federal Acquisition Circular 2005-32, March 31, 2009, provides policies and procedures for the Government-wide implementation of the Recovery Act and guidance on special contract provisions. Federal Acquisition Circular 2005-32 amended the FAR and provided interim rules that made FAR solicitation provisions and contract clauses immediately available for inclusion in contracts for Recovery Act work.

The specific FAR Recovery Act requirements are for:

- buying American construction material,
- protecting contractor whistleblowers,
- publicizing contract actions,
- reporting, and
- giving the Government Accountability Office and agency Inspectors General access to contracting records.

Federal Government organizations meet requirements for Recovery Act contract actions by posting information on the Federal Business Opportunities (FBO) and Federal Procurement Data System (FPDS) Web sites. FAR Subpart 5.7, "Publicizing Requirements under the American Recovery and Reinvestment Act of 2009," directs contracting officers to use the Government-wide FBO Web site (<http://www.fbo.gov>) to:

- identify the action as funded by the Recovery Act,
- post pre-award notices for orders exceeding \$25,000,
- describe supplies in a clear narrative to the general public, and
- provide the rationale for awarding any contracting actions that were not both fixed-price and competitive.

FBO is the Federal Government's central source of Federal procurement opportunities. FBO is a Web-based portal that allows agency officials to post Federal procurement opportunities and contractors to search and review those opportunities. Agencies also post contract award notices on FBO. In addition, to provide transparency, FBO has a separate section identifying Recovery Act opportunities and awards.

FPDS is the Federal Government's central source of procurement information. Contracting officers enter information, to include the Treasury Account Symbol, in the FPDS for all Recovery Act contract actions. The Treasury Account Symbol enables

FPDS to provide transparency by generating and posting a report containing all Recovery Act contract actions.

## **OMB Recovery Act Guidance**

Criteria for planning and implementing the Recovery Act continue to change as OMB issues additional guidance, and DOD and the Components issue their implementation guidance. OMB has issued 11 memoranda and 1 bulletin to address the implementation of the Recovery Act. See Appendix B for Recovery Act criteria and guidance.

## **DOD Recovery Act Program Plans**

Under the Recovery Act, Congress appropriated approximately \$12 billion to DOD for the following programs: Energy Conservation Investment; Facilities Sustainment, Restoration, and Modernization (FSRM); Homeowners Assistance; Military Construction; Near Term Energy-Efficient Technologies; and U.S. Army Corps of Engineers (USACE) Civil Works. The values of the six programs are shown in Table 1.

**Table 1. DOD Agency-Wide and Program-Specific Recovery Act Programs**

<b>Program</b>	<b>Amount (in millions)</b>
Energy Conservation Investment	\$120
Facilities Sustainment, Restoration, and Modernization	4,260*
Homeowners Assistance	555
Military Construction	2,185
Near Term Energy-Efficient Technologies	300
U.S. Army Corps of Engineers Civil Works	4,600
<b>Total</b>	<b>\$12,020*</b>

\* On August 10, 2010, Public Law 111-226, Title III, “Rescissions,” rescinded \$260.5 million of funds from DOD Operations and Maintenance Accounts supporting the Recovery Act. This reduced the DOD Recovery Act FSRM amounts to approximately \$4 billion and total DOD Agency-Wide and Program-Specific Recovery Act program funding to approximately \$11.76 billion.

The Recovery Act divides the approximately \$12 billion among 32 DOD and USACE line items of appropriations.

## **Unified Facilities Criteria**

Unified Facilities Criteria (UFC) 3-700-02A, “Construction Cost Estimates,” March 1, 2005, provides detailed guidance for preparing Government cost estimates. The UFC provides planning, design, construction, sustainment, restoration, and modernization criteria, and applies to the Military Departments, the Defense agencies, and DOD Field Activities.

## Installation Management Command Mission

The Installation Management Command (IMCOM) is a single organization with six regional offices that oversees all facets of installation management such as construction; barracks and Family Housing; public works; and installation funding. IMCOM's mission is to provide standardized, effective, and efficient services, facilities, and infrastructure to soldiers, families, and civilians for an Army engaged in conflict.

## Fort Myer Military Community

FMMC is a U.S. Army Garrison managed by IMCOM, and includes Fort Myer, Virginia, and Fort McNair, Washington, D.C. The FMMC serves two higher headquarters. It is responsible to the Military District of Washington for mission support and to IMCOM for fiscal and administrative purposes. FMMC had 17 Army FSRM Recovery Act projects that were valued at \$21.28 million. Of those 17 projects, we reviewed two Army Family Housing projects valued at \$1.33 million. Project 38811 at Fort Myer included the removal and replacement of copper roof decks, gutters and downspouts, and damaged roof slate on select Senior Noncommissioned Officer family housing. Project 38807 at Fort McNair included refurbishing and replacing front and rear porches and installing French drains on select Senior Noncommissioned Officer family housing. Table 2 shows the appropriated amount and the award amount for both projects.

**Table 2. FMMC Recovery Act Programs**

Contract Number	Project Number/Title	Award Date	Appropriated Amount	Award Amount
W91QV1-09-C-0053	38807, Renovate Exteriors and Repair Windows	9/2/2009	\$780,000	\$379,500
W91QV1-05-D-0018 Delivery order OF65	38811, Renovate Exteriors and Repair Porches	7/16/2009	\$550,000	\$503,102

## Internal Controls Not Effective for Cost Estimating and Contracting

DOD Instruction 5010.40, “Managers’ Internal Control (MIC) Program Procedures,” July 29, 2010, requires DOD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses on two Recovery Act funded projects at FMMC.

- IMCOM internal controls at FMMC for planning, funding, and execution were inadequate to ensure the Executive Management Office and Housing Directorate documented its methodology for the preparation, review, and certification of project cost estimates.

- U.S. Army Contracting Command internal controls for FMMC contracting were inadequate to prevent issuance of Recovery Act contract actions without verifying that those actions contained proper funding citations and clauses.

Implementing Recommendations 1 and 2 will improve FMMC planning, funding, and execution controls. We will provide a copy of the report to the senior official responsible for internal controls at FMMC.

# **Finding. FSRM Projects at Fort Myer Military Community Contain Internal Control Weaknesses**

FMMC personnel generally justified, planned, funded, contracted for, and executed the two FSRM projects reviewed in accordance with OMB guidance, except for the following instances.

- IMCOM personnel at FMMC did not comply with the Unified Facilities Criteria to prepare, review, or certify cost estimates on the two Family Housing FSRM projects. IMCOM personnel stated that they prepared the cost estimates using RS Means estimating software and then inflated the estimate approximately 20 to 30 percent without supporting documentation for unforeseen site conditions.
- Army contracting personnel, FMMC, did not use the correct funding line of accounting in one contract and did not include required Recovery Act contract clauses in one delivery order. However, management took corrective action by issuing a modification to the contract and delivery order to change the line of accounting and add the required contract clauses.

*IMCOM personnel . . .  
prepared the cost estimate  
. . . and then inflated . . .  
approximately 20 to 30  
percent . . .*

This occurred because the IMCOM cost estimator at FMMC believed that cost estimating software results were usually very low and must be increased to meet the regional trend. Contracting personnel stated that the use of the wrong funding line of accounting and the failure to include Recovery Act contract clauses in the two

contract actions reviewed was an oversight. As a result of these weaknesses in FMMC internal controls, a cost estimate was inflated and may have prevented other worthy projects in states with high unemployment rates from receiving requested funding. Also, in order to meet Recovery Act goals, contracting officials must ensure adequate controls are in place to correctly account for Recovery Act funds expended and ensure that required clauses are included in contracts awarded.

## **Planning, Funding, and Execution of FMMC Family Housing Projects**

The planning, funding, and initial execution of two FSRM Family Housing projects at FMMC generally complied with Recovery Act requirements. However, we did find opportunities for improvement.

### ***Planning for Family Housing Renovations***

FMMC personnel generally justified and planned Recovery Act projects. We reviewed the IMCOM Project Prioritization System report; Department of the Army Form 4283, “Facilities Engineering Work Request”; and DD Form 1391, “Military Construction Project Data,” for two FSRM Family Housing projects to renovate noncommissioned

officer quarters. The related DD Forms 1391 adequately explained the projects, requirements, the current situation, and the impact and justifications for renovating the quarters. However, we did have concerns regarding the cost estimates for both projects. FMMC provided no supporting documentation for the independent government cost estimates, no support for a detailed cost analysis, and no support that the cost estimates were reviewed or certified.

### **Cost Estimates Inflated and Lacked Support**

IMCOM cost engineers in the Executive Management Office and Housing Directorate did not comply with the UFC requirements to prepare, review, and certify cost estimates on two projects. Rather, IMCOM personnel stated that they prepared the cost estimates using RS Means<sup>1</sup> estimating software and then inflated the estimate approximately 20 to 30 percent without supporting documentation for unforeseen site conditions.

We reviewed the cost estimates for the projects. Even though the estimated cost of each component of the work was described in detail, the cost engineer did not explain the basis of the unit cost used to calculate total cost. In the construction industry, the costs are estimated using historical pricing for similar work or RS Means Cost Books for detailed estimation of construction work. We requested IMCOM and FMMC contracting personnel to provide the approved cost estimates, methodology, and supporting documentation used for cost estimating. The cost engineer who prepared the estimate stated that unit costs were derived from a combination of sources, such as historical costs for prior Government and commercial work of a similar nature, use of RS Means Cost Books, and personal experience. The cost engineer noted that RS Means data were usually very low and must be increased to meet the regional trend. The cost engineer also stated that the estimate took into account an absolute worst case scenario for the scope of work based on unforeseen circumstances and the age of the quarters.

### **Unified Facilities Criteria for Cost Estimates**

Although IMCOM provided cost estimates for the two projects, the command did not provide approved cost estimates and the related back-up data required by UFC 3-700-02A. Section 2-2, “Responsibility for Preparation and Review,” states that the cost engineer must be accountable for the completeness, quality, accuracy, and reasonableness of the cost estimate. This section also states that the estimate should be reviewed for the purpose of confirming the validity of the assumptions and the logic used in estimating the cost of construction tasks and that the review should always include a check of the quantities, unit prices, and arithmetic. Section 3.7, “Cost Estimate Format and Supporting Documentation,” states the cost engineer should be mindful of the documentation necessary to support the cost estimate submission requirements specified for each phase of project development. Chapter 4, “Composition of Government Estimates,” Figure 4.1, illustrates the composition of a Government estimate stating that Government cost estimate back-up data are an integral part of the cost estimate

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<sup>1</sup> RS Means is a leading supplier of construction cost information. In addition to publication of annual construction cost data books, RS Means also offers electronic cost databases and software. They provide localized construction costs for many states including Maryland and Virginia.

presentation. Section 4-2., “Government Estimate of Contract Cost,” requires the names and signatures of those individuals responsible for the preparation, review, submittal, and approval of the cost estimate on the signature page. The signature page should also contain the total amount of the estimated costs and the number of amendments included in the estimate so that there will be no question as to the approved amount.

## RS Means Cost Data

We disagreed with the IMCOM methodology of increasing RS Means cost data in calculating the Government cost estimate. RS Means Construction Cost Data Books are widely used in Government and industry for construction cost estimation. The 2010 edition of the books, among other features, provides city cost indexes and location factors covering over 930 three-digit zip codes in the U.S. and selected locations in Canada. Additionally, all RS Means cost data titles include free quarterly updates via e-mail—a comprehensive quarterly report on market indicators and construction price trends and a free hotline to help in cost estimation. The cost engineer who prepared the inflated estimate could provide no corroborating evidence that his methodology in preparing the cost estimate was more accurate. Rather it appears that an arbitrary inflation factor was used. As a result, we did not consider Government cost estimates for the two projects prepared by the Government cost engineers to be reliable. The contracts awarded to perform both projects were less than the amount appropriated for the projects as shown in Table 3, resulting in \$349,198 of additional money that could be used for other Army FSRM projects.

**Table 3. Army FSRM Family Housing Projects at FMMC**

Project Number	Appropriation	Government Cost Estimate	Contract Action	Available for Other Uses
38807-Fort McNair	\$780,000	\$676,706	\$477,700	\$302,300
38811-Fort Myer	\$550,000	\$503,101	\$503,102	\$46,898
<b>Total</b>	<b>\$1,330,000</b>	<b>\$1,179,807</b>	<b>\$980,802</b>	<b>\$349,198</b>

## Proper Funding of Family Housing FSRM Projects

In May 2009, the Assistant Secretary of the Army (Financial Management and Comptroller) properly distributed Recovery Act funds<sup>2</sup> totaling \$3.55 million to the Commander, IMCOM, for approved Family Housing Recovery Act projects. On May 22, 2009, a funding authorization document transferred the full distribution of the appropriated Army Family Housing funds, \$1.4 million, to the Director, IMCOM National Capital Region. IMCOM issued a funding authorization document dated June 10, 2009, transferring \$1.33 million to the Commander, U.S. Army Garrison, Fort Myer, for the two FMMC Recovery Act projects reviewed. The funding received for those projects was to repair, replace, and renovate Senior Noncommissioned Officers Quarters at FMMC. Specifically, \$780,000 was designated to renovate exteriors and repair windows on quarters located at Fort McNair and \$550,000 was designated to renovate exteriors and repair porches on quarters located at Fort Myer.

<sup>2</sup> The \$3.55 million was from the Army Family Housing, Operations and Maintenance, appropriation.

## **Project Execution**

We reviewed the presolicitation and award of two Family Housing FSRM projects at FMMC. Project Number 38807 on contract W91QV1-09-C-0053 was for eight Senior Noncommissioned Officers Quarters on Fort McNair. The 8 quarters include 2 single houses and 6 duplexes for a total of 14 dwelling units. Project Number 38811 on delivery order W91QV1-05-D-0018 (0F65) was for nine Senior Noncommissioned Officers Quarters on Fort Myer. The 9 quarters include 1 single house and 8 duplexes for a total of 17 dwelling units. These houses are historic category 1 single family houses built in 1903. The projects were to repair or replace deteriorated wood and vinyl exterior siding, gutters, banisters and railings, and fascia and painting on porches. In addition, repairs were needed for exterior doors and windows to include window trim, valances and transom windows, metal railings, lattice, screen, and quarter round molding. These repairs and replacements were necessary and essential to prevent further structural deterioration, improve housing components to meet current minimum codes and standards, eliminate environmental hazards, realize the full life expectancy of the quarters, reduce energy consumption, eliminate substandard living environment, and improve quality of life for the residents.

## **Presolicitation Notices**

*The language in the presolicitation notices met the intent of the Recovery Act project.*

To ensure the transactions related to the FSRM Recovery Act projects at FMMC were transparent, Army contracting personnel posted presolicitation notices on the Federal Business Opportunities (FBO) Web site. The language in the presolicitation notices met the intent of the Recovery

Act project. The synopsis in the presolicitation notice for project number 38807 clearly explained the nature of the work and informed the public that this was a HUB Zone set-aside for small businesses. The synopsis in the presolicitation notice for project number 38811 explained the nature of the work and informed the public that this opportunity was only available to the contractor under roofing requirements contract W91QV1-05-D-0018 and that the delivery order would be awarded to Verrazano Contracting Company, Inc.

## **Project Number 38807, FSRM Family Housing Project (Fort McNair)**

Army contracting personnel competitively solicited offers through an invitation for bid and received four offers. On September 2, 2009, the U.S. Army Contracting Command awarded a firm-fixed-price contract (W91QV1-09-C-0053) to GOVCON Inc. for \$379,500.<sup>3</sup> The contract was a 100 percent set-aside for HUB Zone small business. The contract contained the required Recovery Act clauses; however, the contract incorrectly cited funding code line of accounting 2190725, which is Family Housing Operation and Maintenance, Army. The correct funding code line of accounting for Recovery Act should be 2190726, which is for Family Housing Operation and Maintenance-Recovery Act, Army. After we had informed the contracting officer of the mistake in

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<sup>3</sup> Subsequently, the contract value was increased to \$477,700 (modification P00001 on February 3, 2010 for \$5,000 and modification P00003 on April 16, 2010, for \$93,200).

January 2010, the contracting officer corrected the line of accounting to 2190726, issuing modification P00002 on February 24, 2010.

### **Project Number 38811, FSRM Family Housing Project (Fort Myer)**

On July 16, 2009, the U.S. Army Contracting Command issued delivery order W91QV1-05-D-0018 (0F65) for \$503,101.57 to Verrazano Contracting Company, Inc. The delivery order was issued from contract W91QV1-05-D-0018, which was competitively awarded through sealed bids on August 23, 2005. This was a Section 8(a) set-aside and the appropriate Recovery Act funding was included in the delivery order. However, the delivery order did not contain any of the required Recovery Act contract clauses.

Contracting personnel identified the deficiency and on September 3, 2009, the contracting officer issued modification 01, which added the Recovery Act clauses.

### **Conclusion**

Overall, the two projects reviewed generally complied with Recovery Act guidance. However, IMCOM cost engineers did not adhere to UFC requirements when preparing their cost estimates. Specifically, IMCOM personnel could not provide the related back-up data to corroborate the validity of the cost engineer's methodology in preparing the cost estimates nor were the cost estimates certified. The inflation factor used to increase the RS Means cost data used to calculate the Government cost estimate was arbitrary and not supported; therefore, we do not consider the cost estimates reliable. We recommend that the Government cost engineers prepare, review, and certify cost estimates in accordance with the UFC.

The two projects reviewed were solicited and competitively awarded. However, we consider the incorrect funding line of accounting on contract W91QV1-09-C-0053 and the award of delivery order W91QV1-05-D-0018 (0F65) without required Recovery Act contract clauses to be internal control weaknesses. We believe improvements to the internal controls are needed to prevent these errors in the future. The Army Contracting Command needs to develop procedures to ensure Recovery Act-specific funds and contract clauses are applied to Recovery Act contracts and delivery orders.

### **Recommendations, Management Comments, and Our Response**

- 1. We recommend that the Commander, U. S. Army Installation Management Command, direct the Executive Management Office and Housing Directorate to prepare, review, and certify cost estimates in accordance with the Unified Facilities Criteria 3-700-02A, "Construction Cost Estimates," March 1, 2005.**

#### ***Management Comments***

The Commander, U.S. Army Installation Management Command, agreed with the recommendation and stated that compliance needs to occur in preparation of job estimates with the Unified Facilities Criteria. The Commander noted that he has directed Fort Myer Military Community personnel to prepare, review, and certify cost estimates in

accordance with Unified Facilities Criteria and include back-up data for the Government cost estimate and the names and signatures of individuals responsible for the preparation, review, submittal, and approval of the cost estimate on the signature page. The Commander also noted that future job estimates that vary from the Unified Facilities Criteria should be supported with proper documentation to support that variance.

### ***Our Response***

The comments of the Commander, U.S. Army Installation Management Command, are responsive, and no additional comments are required.

**2. We recommend that the Commander, U.S. Army Contracting Command, develop procedures to ensure Recovery Act-specific funds and contract clauses are applied to Recovery Act contracts and delivery orders on Fort Myer Military Community Recovery Act projects.**

### ***Management Comments***

The Executive Deputy to the Commanding General, U.S. Army Materiel Command, agreed with the U.S. Army Contracting Command's response. The Executive Director, U.S. Army Contracting Command, responding for the Commander, U.S. Army Contracting Command, agreed with the recommendation and stated that Office of Management and Budget and Deputy Assistant Secretary of the Army (Procurement) policy and guidance regarding proper execution of Recovery Act funded contract actions was disseminated throughout the Army Contracting Command, the Expeditionary Contracting Command, the Mission and Installation Contracting Command, and the seven contracting centers. In addition, the Mission and Installation Contracting Command released internal guidance and provided assistance to their Directorates of Contracting on specific procedures relating to the Recovery Act, including the proper use of Recovery Act clauses. The Executive Director noted that actions that did not contain the Recovery Act clauses at the time of award were modified to incorporate the clauses. The Mission and Installation Contracting Command Contracting Directorates at Fort Myer and Fort Belvoir instituted a review process that mandated the use of the Recovery Act checklist that was issued by the Recovery Act Transparency Board. To ensure compliance, an internal e-mail will be sent to the Army Contracting Command policy points of contact reemphasizing the use of Recovery Act clauses. This process will be in place by October 30, 2010.

### ***Our Response***

The comments of the Executive Director, U.S. Army Contracting Command, are responsive, and no additional comments are required.

# **Appendix A. Scope and Methodology**

We conducted this audit from October 2009 through August 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Scope**

We selected two FSRM Recovery Act projects at FMMC with an estimated total cost of \$1.33 million. These projects were to repair, replace, and renovate 17 Senior Non-commissioned Officers Quarters at FMMC. The projects were necessary and essential to prevent further structural deterioration, improve housing components to meet current minimum codes and standards, eliminate environmental hazards, realize the full life expectancy of the quarters, reduce energy consumption, eliminate substandard living environment, and improve quality of life for the residents. Our review included interviewing IMCOM cost engineers and Army staff at FMMC, Department of Public Works, and U.S. Army Contracting Command. We also reviewed requirements, contracting, and financial documentation dated from August 2005 through April 2010 at FMMC.

## **Methodology**

Our overall audit objective was to evaluate DOD's implementation of plans for the Recovery Act of 2009. To accomplish our objective, we audited the planning, funding, execution, and tracking and reporting of Recovery Act projects to determine whether Army efforts complied with Recovery Act requirements, OMB guidance, the FAR, and DOD implementing guidance. Specifically, we determined whether:

- the selected projects were adequately planned to ensure the appropriate use of Recovery Act funds (Planning);
- funds were awarded and distributed in a prompt, fair, and reasonable manner (Funding); and
- contracts contained required Recovery Act FAR clauses (Project Execution).

Before selecting DOD Recovery Act projects for audit, the Quantitative Methods and Analysis Division of the DOD Office of Inspector General analyzed all DOD agency-funded projects, locations, and contracting oversight organizations to assess the risk of waste, fraud, and abuse associated with each. We selected most audit projects and locations using a modified Delphi technique, which allowed us to quantify the risk based on expert auditor judgment, and other quantitatively developed risk indicators. We used information collected from all projects to update and improve the risk assessment model. We selected 83 projects with the highest risk rankings; auditors chose some additional

projects at the selected locations. The FMMC projects valued at \$1.33 million were judgmentally selected to provide Army and Army Family Housing FSRM coverage.

We did not use classical statistical sampling techniques that would permit generalizing results to the total population because there were too many potential variables with unknown parameters at the beginning of this analysis. The predictive analytic techniques employed provided a basis for logical coverage not only of Recovery Act dollars being expended, but also of types of projects and types of locations across the Military Services, Defense agencies, State National Guard units, and public works projects managed by U.S. Army Corps of Engineers.

## **Use of Computer-Processed Data**

We used computer-processed data to perform this audit. Specifically, we used posted notices on the FBO Web site ( <http://www.fedbizopps.gov> ) in meeting our audit objectives. We tested the accuracy of the data by comparing the project data reported on the FBO Web site with documents in the contract file. Our audit focused on the reporting of contract actions on specific Army projects. From these procedures, we concluded that the DOD data were sufficiently reliable for our audit purposes.

## **Use of Technical Assistance**

An engineer from the Technical Assessment Directorate, DOD Office of Inspector General, assisted in the audit. The engineer supported the team in evaluating the need for the two FMMC FSRM projects selected for review.

## **Prior Coverage**

The Government Accountability Office, the Department of Defense Inspector General, and the Military Departments have issued reports and memoranda discussing DOD projects funded by the Recovery Act. You can access unrestricted reports at <http://www.recovery.gov/accountability>.

## Appendix B. Recovery Act Criteria and Guidance

The following list includes the primary Recovery Act criteria and guidance (notes appear at the end of the list):

- U.S. House of Representatives Conference Committee Report 111-16, “Making Supplemental Appropriations for Job Preservation and Creation, Infrastructure Investment, Energy Efficiency and Science, Assistance to the Unemployed, and State and Local Fiscal Stabilization, for the Fiscal Year Ending September 30, 2009, and for Other Purposes,” February 12, 2009
- Public Law 111-5, “American Recovery and Reinvestment Act of 2009,” February 17, 2009
- OMB Memorandum M-09-10, “Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” February 18, 2009
- OMB Bulletin No. 09-02, “Budget Execution of the American Recovery and Investment Act of 2009 Appropriations,” February 25, 2009
- White House Memorandum, “Government Contracting,” March 4, 2009
- White House Memorandum, “Ensuring Responsible Spending of Recovery Act Funds,” March 20, 2009
- OMB Memorandum M-09-15, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” April 3, 2009<sup>1</sup>
- OMB Memorandum M-09-16, “Interim Guidance Regarding Communications With Registered Lobbyists About Recovery Act Funds,” April 7, 2009
- OMB Memorandum M-09-19, “Guidance on Data Submission under the Federal Funding Accountability and Transparency Act (FFATA),” June 1, 2009
- OMB Memorandum M-09-21, “Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009,” June 22, 2009<sup>2</sup>
- OMB Memorandum M-09-24, “Updated Guidance Regarding Communications with Registered Lobbyists About Recovery Act Funds,” July 24, 2009
- OMB Memorandum M-09-30, “Improving Recovery Act Recipient Reporting,” September 11, 2009

- OMB Office of Federal Procurement Policy, “Interim Guidance on Reviewing Contractor Reports on the Use of Recovery Act Funds in Accordance with FAR Clause 52.204-11,” September 30, 2009<sup>2</sup>
- OMB Memorandum M-10-08, “Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, Reporting of Job Estimates,” December 18, 2009<sup>2</sup>
- OMB Memorandum M-10-14, “Updated Guidance on the American Recovery and Reinvestment Act,” March 22, 2010<sup>2</sup>
- White House Memorandum, “Combating Noncompliance With Recovery Act Reporting Requirements,” April 6, 2010<sup>2</sup>
- OMB Memorandum M-10-17, “Holding Recipients Accountable for Reporting Compliance under the American Recovery and Reinvestment Act,” May 4, 2010<sup>2</sup>
- OMB Memorandum M-10-34, “Updated Guidance on the American Recovery and Reinvestment Act,” September 24, 2010<sup>2</sup>

## End Notes

<sup>1</sup> Document provides Government-wide guidance for carrying out programs and activities enacted in the American Recovery and Reinvestment Act of 2009. The guidance states that the President’s commitment is to ensure that public funds are expended responsibly and in a transparent manner to further job creation, economic recovery, and other purposes of the Recovery Act.

<sup>2</sup> Document provides Government-wide guidance for carrying out the reporting requirements included in section 1512 of the Recovery Act. The reports will be submitted by recipients beginning in October 2009 and will contain detailed information on the projects and activities funded by the Recovery Act.

# Department of the Army Comments



REPLY TO  
ATTENTION OF:

DEPARTMENT OF THE ARMY  
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND  
9301 CHAPEK ROAD  
FORT BELVOIR, VA 22060-5527

AMCIR

28 SEP 2010

MEMORANDUM FOR DODIG, ATTN: [REDACTED] 400 Army Navy  
Drive, Arlington, VA 22202-4704

SUBJECT: Command Reply to DODIG Draft Report: American Recovery and Reinvestment  
Act Projects, Family Housing Renovations at Fort Myer Military Community, 27 August 2010  
(D2009-D000AB-0288.002) (D0963)

1. The U.S. Army Materiel Command (AMC) has reviewed the subject draft report and response  
provided by U.S. Army Contracting Command (ACC). AMC endorses the ACC response.
2. The AMC point of contact is [REDACTED]  
[REDACTED]

Encl

TERESA W. GERTON  
Executive Deputy to the  
Commanding General



REPLY TO  
ATTENTION OF:

DEPARTMENT OF THE ARMY  
U.S. ARMY CONTRACTING COMMAND  
9301 CHAPEK ROAD  
FORT BELVOIR, VA 22060-5527

SEP 16 2010

AMSCC-IR

MEMORANDUM FOR [REDACTED] Director, Internal Review and Audit Compliance Office, Headquarters, U.S. Army Materiel Command, 9301 Chapek Road, Fort Belvoir, VA 22060

SUBJECT: DODIG Draft Audit Report, American Recovery and Reinvestment Act Projects—Family Housing Renovations at Fort Myer Military Community (Project No. D2009-D000AB-0288.002) (D0963)

1. References:

- a. Memorandum, Department of Defense Inspector General, 27 August 2010, subject: same as above.
- b. Draft Report, Department of Defense Inspector General, undated, subject: same as above.

2. The U.S. Army Contracting Command (ACC) has reviewed reference 1b and provides comments to recommendation 2 as an enclosure.

3. The ACC point of contact is [REDACTED]  
[REDACTED]

Encl



JEFFREY P. PARSONS  
Executive Director

**DODIG Final Report**  
American Recovery and Reinvestment Act  
Projects—Family Housing Renovations at  
Fort Myer Military Community  
*Project No. D2009-D000AB-0288.002*

**Recommendation 2.** DODIG recommended that the Commander, U.S. Army Contracting Command, develop procedures to ensure Recovery Act-specific funds and contract clauses are applied to Recovery Act contracts and delivery orders on Fort Myer Military Community Recovery Act projects.

**ACC Comments:** Concur. Office of Management and Budget (OMB) and Deputy Assistant Secretary of the Army (Procurement) (DASA-P) policy and procedural guidance regarding proper execution of Recovery Act funded contract actions was disseminated throughout the Headquarters, Army Contracting Command (ACC), Expeditionary Contracting Command (ECC), Mission and Installation Contracting Command (MICC), and the seven Contracting Centers, through VTCs, numerous emails, and information papers that included proper use of Recovery Act clauses. These processes and procedures were well documented and provided the proper oversight and guidance required for Recovery Act activities. As soon as updated and/or new Recovery Act information is generated, it is released throughout ACC, as there is continuous communication flow throughout the lifecycle of Recovery Act reporting. Furthermore, the MICC has released internal guidance and provided assistance to their individual Directorates of Contracting on specific procedures relating to all aspects of the Recovery Act and the reporting thereof, including the proper use of the Recovery Act related clauses. The commencement of the reporting process further raised awareness of the need to include Recovery Act clauses. Actions that did not contain the clauses at time of award were modified to incorporate the clauses. To ensure compliance with new awards, MICC Contracting Directorates at Fort Myer and Fort Belvoir instituted a review process that mandated use of the Recovery Act checklist that was issued by the Recovery Act Transparency (RAT) Board. In order to ensure compliance, an internal email will be sent to ACC policy POCs referencing the applicable DASA (P) Memos, reemphasizing the use of the Recovery Act clauses. This process will be in place by 30 October 2010.

Encl



REPLY TO  
ATTENTION OF

**DEPARTMENT OF THE ARMY**  
US ARMY INSTALLATION MANAGEMENT COMMAND  
2511 JEFFERSON DAVIS HIGHWAY  
ARLINGTON, VA 22202-3926

IMCG

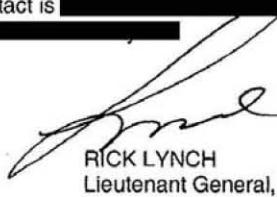
Ser. #:

MEMORANDUM FOR Inspector General, Department of Defense, 400 Army Navy  
Drive, Arlington, Virginia 22202-4704

SUBJECT: Command Reply for DODIG Draft Report, Audit of American Recovery and  
Reinvestment Act Projects—Family Housing Renovations at Fort Myer Military  
Community (Project D2009-D000AB-0288.002)

1. U.S. Army Installation Management Command (IMCOM) has reviewed the subject report. All of us are pleased with the overall finding that projects were generally properly justified, planned, funded, contracted and executed. The IMCOM comments are provided at enclosure 1. We concur with the audit recommendation and have informed Fort Myer Military Community that compliance needs to occur in preparation of job estimates with the Unified Facilities Criteria (UFC). They are to prepare, review and certify cost estimates in accordance with UFC and have signatures of responsibility from those individuals who prepared them. If there is a variance from the UFC it is required that documents supporting that variance be on file.

2. The Internal Review point of contact is [REDACTED]



RICK LYNCH  
Lieutenant General, USA  
Commanding

Encl

U.S. Army Installation Management Command Comments  
DODIG Draft Report, Audit of American Recovery and Reinvestment Act Projects—  
Family Housing Renovations at Fort Myer Military Community (FMMC)  
(D2009-D000AB-0288.002)

**Recommendation 1:**

1. Recommend that the Commander, U. S. Army Installation Management Command, direct the Executive Management Office and Housing Directorate to prepare, review, and certify cost estimates in accordance with the Unified Facilities Criteria 3-700-02A, "Construction Cost Estimates," March 1, 2005.

**IMCOM Command Comments to Recommendation 1:**

Concur. We concur with the audit recommendation and agree that compliance needs to occur in preparation of job estimates with the Unified Facilities Criteria (UFC). We have directed FMMC personnel to prepare, review and certify cost estimates in accordance with the UFC, specifically, to include back up data for the government cost estimate and the names and signatures of those individuals responsible for the preparation, review, submittal, and approval of the cost estimate on the signature page. Any future job estimate that varies from the UFC should be supported with proper documentation to support that variance.



# Inspector General Department of Defense